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PART II—Section 2

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन
की रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed
as a separate compilation

LOK SABHA

The following Bills were Introduced in Lok Sabha on the 16th March, 1985:—

BILL No. 49 OF 1985

*A Bill to give effect to the financial proposals of the Central Government
for the financial year 1985-86.*

Be it enacted by Parliament in the Thirty-sixth Year of the Republic
of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Finance Act, 1985.

(2) Save as otherwise provided in this Act, sections 2 to 41 (except
sections 32, 34, 35 and 38) shall be deemed to have come into force on the
1st day of April, 1985.

CHAPTER II

RATES OF INCOME-TAX

2. (1) Subject to the provisions of sub-sections (2) and (3), for the
assessment year commencing on the 1st day of April, 1985, income-tax

Short
title
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Income-
tax.

shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge, calculated in each case in the manner provided therein:

Provided that where an assessee, being a company, has made, during the financial year commencing on the 1st day of April, 1984, any deposit with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964, under the Companies Deposits (Surcharge on Income-tax) Scheme, 1984, then, the surcharge on income-tax payable by the company,—

18 of 1984.

(a) in a case where the amount of the deposit so made is equal to, or exceeds, the amount of surcharge on income-tax payable by it, shall be nil; and

(b) in a case where the amount of the deposit so made falls short of the amount of surcharge on income-tax payable by it, shall be reduced by the amount of the deposit.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds,—

(i) in a case to which the said Sub-Paragraph I applies, fifteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees,

then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,—

(i) in a case to which the said Sub-Paragraph I applies, the first fifteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first eight thousand rupees,

of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income:

Provided that in a case referred to in the said Sub-Paragraph II, for the purpose of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (ii) of the proviso below Sub-Paragraph II and the provisions relating to surcharge on income-tax in the said Sub-Paragraph II shall not apply;

(ii) the net agricultural income shall be increased,—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of fifteen thousand rupees; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of eight thousand rupees,

and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income:

Provided that in a case referred to in the said Sub-Paragraph II for the purposes of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (ii) of the proviso below the said Sub-Paragraph II and the provisions relating to surcharge on income-tax in the said Sub-Paragraph II shall not apply;

(iii) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (ii):

Provided that in a case referred to in the said Sub-Paragraph II, where the sum so arrived at exceeds sixty per cent. of the amount by which the total income exceeds twelve thousand rupees, the excess shall be disregarded;

(iv) the amount of income-tax determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and a half per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Chapter XIIA or sub-section (1A) of section 161 or section 164 or section 164A or section 167A of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in cases to which the provisions of Chapter XII or Chapter XIII A or sub-section (1A) of section 161 or section 164 or section 164A or section 167A of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be:

Provided further that an assessee, being a company, may, in lieu of payment of the amount of surcharge on income-tax at the rate specified in Paragraph E of Part III of the First Schedule, make a deposit under the scheme framed under sub-section (7) before the last instalment of "advance tax" is due in its case, and where it does so, the surcharge on income-tax payable by the company,—

(i) in a case where the amount of the deposit so made is equal to or exceeds the amount of surcharge on income-tax payable by it, shall be nil; and

(ii) in a case where the amount of the deposit so made falls short of the amount of surcharge on income-tax payable by it, shall be reduced by the amount of the deposit.

(6) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds,—

(i) in a case to which the said Sub-Paragraph I applies, eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, twelve thousand rupees,

then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) [that is to say, as if the net agricultural income were comprised in the total income after,—

(i) in a case to which the said Sub-Paragraph I applies, the first eighteen thousand rupees, and

(ii) in a case to which the said Sub-Paragraph II applies, the first twelve thousand rupees,

of the total income but without being liable to tax], only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the

rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased,—

(A) in a case to which the said Sub-Paragraph I applies, by a sum of eighteen thousand rupees; and

(B) in a case to which the said Sub-Paragraph II applies, by a sum of twelve thousand rupees,

and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Sub-Paragraph I or, as the case may be, the said Sub-Paragraph II, as if the net agricultural income as so increased were the total income;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii) and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

18 of 1964.

(7) Where an assessee, being a company, makes, during the financial year commencing on the 1st day of April, 1985, any deposit with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964, under any such scheme as the Central Government may, by notification in the Official Gazette, frame in this behalf, then the surcharge on income-tax payable by the company for the assessment year commencing on the 1st day of April, 1986,—

(i) in a case where the amount of the deposit so made is equal to or exceeds the amount of surcharge on income-tax payable by it, shall be *nil*; and

(ii) in a case where the amount of the deposit so made falls short of the amount of surcharge on income-tax payable by it, shall be reduced by the amount of the deposit.

(8) For the purposes of this section and the First Schedule,—

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1985, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

(c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity

or any other form of power or in the carriage, by road or inland waterways, of passengers or goods or in the construction of ships or in the execution of projects or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause,—

(i) a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the carriage, by road or inland waterways, of passengers or goods or in the construction of ships or in the execution of projects or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income;

(ii) "project" means a project for the construction of a building, road, dam, bridge or other structure or assembly or installation of any machinery or plant;

(d) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(e) "investment company" means a company whose gross total income (as defined in section 80B of the Income-tax Act) consists mainly of income which is chargeable under the heads "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources";

(f) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

(g) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(h) "trading company" means a company whose business consists mainly in dealing in goods or merchandise manufactured, produced or processed by a person other than that company and whose income attributable to such business included in its gross total income (as defined in section 80B of the Income-tax Act) is not less than fifty-one per cent. of the amount of such gross total income;

(i) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act.

CHAPTER III

DIRECT TAXES

Income-tax

3. In section 2 of the Income-tax Act, in clause (18), after sub-clause (ab), the following sub-clause shall be inserted with effect from the 1st day of April, 1984, namely:—

Amend-
ment of
section 2.

1 of 1956.

“(ac) if it is a mutual benefit finance company, that is to say, a company which carries on, as its principal business, the business of acceptance of deposits from its members and which is declared by the Central Government under section 620A of the Companies Act, 1956, to be a *Nidhi* or Mutual Benefit Society; or”.

4. In section 10 of the Income-tax Act,—

Amend-
ment of
section
10.

(a) in clause (10B), for the portion beginning with the words “at the time of his retrenchment”, and ending with the words “whichever is less.”, the following shall be substituted with effect from the 1st day of April, 1986, namely:—

“at the time of his retrenchment;

Provided that the amount exempt under this clause shall not exceed—

(i) an amount calculated in accordance with the provisions of clause (b) of section 25F the Industrial Disputes Act, 1947; or

14 of 1947.

(ii) fifty thousand rupees,

whichever is less:

Provided further that the preceding proviso shall not apply in respect of any compensation received by a workman in accordance with any scheme which the Central Government may, having regard to the need for extending special protection to the workmen in the undertaking to which such scheme applies and other relevant circumstances, approve in this behalf.”;

(b) in clause (15), after sub-clause (iii), the following sub-clause shall be inserted, namely:—

“(iiia) interest payable to any bank incorporated in a country outside India and authorised to perform central banking functions in that country on any deposits made by it, with the approval of the Reserve Bank of India, with any scheduled bank.

Explanation.—For the purposes of this sub-clause, “scheduled bank” shall have the meaning assigned to it in the *Explanation* to clause (iii) of sub-section (5) of section 11;”

(c) in clause (26A), for the figures, letters and words “1st day of April, 1986”, the figures, letters and words “1st day of April, 1989” shall be substituted.

5. In section 16 of the Income-tax Act, in clause (i), with effect from the 1st day of April, 1986,—

Amend-
ment of
section
16.

(a) the *Explanation* shall be numbered as *Explanation 1*;

(b) after *Explanation 1* as so numbered, the following *Explanation* shall be inserted, namely:—

“Explanation 2.—For the purposes of the proviso to this clause, the use of any vehicle referred to therein for journey by the assessee from his residence to his office or other place of work, or from such office or place to his residence, shall not be regarded as the use of such vehicle otherwise than wholly and exclusively in the performance of his duties;”

Amend-
ment of
section
17.

6. In section 17 of the Income-tax Act,—

(a) in clause (2), in item (c) of sub-clause (iii), for the portion beginning with the words ‘under the head “Salaries”’, and ending with the words “eighteen thousand rupees;”, the following shall be substituted with effect from the 1st day of April, 1986, namely:—

‘under the head “Salaries” (whether due from, or paid or allowed by, one or more employers), exclusive of the value of all benefits or amenities not provided for by way of monetary payment, exceeds twenty-four thousand rupees;’;

(b) in clause (2) [as amended by clause (ii) of section 7 of the Taxation Laws (Amendment) Act, 1984],—

67 of 1984.

(a) in sub-clause (iv), the word “and” shall be inserted at the end;

(b) in sub-clause (v), the word “and” occurring at the end shall be omitted;

(c) sub-clause (vi) shall be omitted.

Insertion
of new
section
33AB.
Tea
develop-
ment
account.

7. After section 33A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1986, namely:—

‘33AB. (1) Where the business of an assessee, being a company, consists exclusively or almost exclusively of growing and manufacturing tea in India and the assessee has, during the previous year, deposited with the National Bank any amount or amounts in an account (hereafter in this section referred to as the special account) maintained by it with that Bank in accordance with a scheme (hereafter in this section referred to as the scheme) approved in this behalf by the Tea Board, the assessee shall, subject to the provisions of this section, be allowed a deduction of—

(a) a sum equal to the amount or the aggregate of the amounts so deposited during the previous year, or

(b) a sum equal to twenty per cent. of its profits (computed under the head “Profits and gains of business or profession” before making any deduction under this section), whichever is less.

Explanation.—In this section,—

(a) “National Bank” means the National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

61 of 1981.

29 of 1953.

(b) "Tea Board" means the Tea Board established under section 4 of the Tea Act, 1953.

(2) Where the amount or the aggregate of the amounts deposited by the assessee in the special account during the previous year exceeds the sum allowable as deduction under sub-section (1), the excess shall be treated, for the purposes of that sub-section, as a deposit made by the assessee in the next following previous year.

(3) Where any amount standing to the credit of the assessee in the special account is utilised by the assessee for the purposes of its business in accordance with the scheme,—

(a) for acquiring any asset being building, machinery, plant or furniture, the actual cost of such asset as determined under clause (1) of section 43 shall, for the purposes of this Act, be reduced by the amount so utilised;

(b) for incurring any expenditure for the purposes of its business, such expenditure shall be reduced by the amount so utilised and the resultant sum, if any, shall be taken into account for the purposes of this Act.

(4) Where any amount, standing to the credit of the assessee in the special account, which is released during any previous year by the National Bank for being utilised by the assessee for the purposes of its business in accordance with the scheme is not so utilised, either wholly or in part, within that previous year, the whole of such amount or, as the case may be, part thereof which is not so utilised shall be deemed to be profits and gains of business and accordingly chargeable to income-tax as the income of that previous year.

(5) The provisions of this section shall apply in relation to the assessment year commencing on the 1st day of April, 1986, and the four assessment years next following that assessment year.'

8. After section 35A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1986, namely:—

Insertion
of new
section
35AB.

'35AB. (1) Subject to the provisions of sub-section (2), where the assessee has paid in any previous year any lump sum consideration for acquiring any know-how for use for the purposes of his business, one-sixth of the amount so paid shall be deducted in computing the profits and gains of the business for that previous year, and the balance amount shall be deducted in equal instalments for each of the five immediately succeeding previous years.

Expendi-
ture on
know-
how.

(2) Where the know-how referred to in sub-section (1) is developed in a laboratory, University or institution referred to in sub-section (2B) of section 32A, one-third of the said lump sum consideration paid in the previous year by the assessee shall be deducted in computing the profits and gains of the business for that year, and the balance amount shall be deducted in equal instalments for each of the two immediately succeeding previous years.

Explanation.—For the purposes of this section, "know-how" means any industrial information or technique likely to assist in the manufacture or processing of goods or in the working of a mine, oil

well or other sources of mineral deposits (including the searching for, discovery or testing of deposits or the winning of access thereto).’.

Amend-
ment of
section
35CC.

9. In section 35CC of the Income-tax Act, in sub-section (1), after the second proviso, the following proviso shall be inserted and shall be deemed to have been inserted with effect from the 17th day of March, 1985, namely:—

“Provided also that no programme shall be approved under this section after the 16th day of March, 1985.”.

Amend-
ment of
section
36.

10. In section 36 of the Income-tax Act,—

(a) in sub-section (1),—

(i) to clause (vii), the following proviso shall be added, namely:—

“Provided that in the case of a bank to which clause (viiia) applies, the amount of the deduction relating to any such debt or part thereof shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account made under that clause;”;

(ii) in clause (viiia),—

(1) for the portion beginning with the words “in respect of any provision” and ending with the words “in the prescribed manner.”, the following shall be substituted, namely:—

“in respect of any provision for bad and doubtful debts made by a scheduled bank [not being a bank approved by the Central Government for the purposes of clause (viiia) or a bank incorporated by or under the laws of a country outside India] or a non-scheduled bank, an amount not exceeding ten per cent. of the total income (computed before making any deduction under this clause and Chapter VIA) or an amount not exceeding two per cent. of the aggregate average advances made by the rural branches of such bank, computed in the prescribed manner, whichever is higher.”;

(2) in the *Explanation*, in clause (ii), for the words, brackets, letter and figure “at the end of clause (b) of sub-section (2)”, the words, brackets and figures “to clause (iii) of sub-section (5)” shall be substituted;

(iii) in clauses (viii) and (viiia), for the brackets, words, figures and letter “(computed before making any deduction under Chapter VIA)”, the brackets, words, figures and letter “computed before making any deduction under this clause and Chapter shall be inserted, namely:—

(b) in sub-section (2), after clause (iv), the following clause shall be inserted, namely:—

“(v) where such debt or part of debt relates to advances made by a bank to which clause (viiia) of sub-section (1) applies, the bank has debited the amount of such debt or part of debt in

that previous year to the provision for bad and doubtful debts account made under that clause.”.

11. In section 37 of the Income-tax Act, with effect from the 1st day of April, 1986,—

Amend-
ment of
section
37.

(a) in sub-section (1), the words, figures and letters “and section 80VV” shall be omitted;

(b) sub-sections (3A), (3B), (3C) and (3D) shall be omitted.

12. In section 40A of the Income-tax Act,—

Amend-
ment of
section
40A.

(a) in sub-section (5), in clause (b) of *Explanation 2* [as amended by clause (c) of section 11 of the Taxation Laws (Amendment) Act, 1984],—

(i) in sub-clause (iv), the word “and” shall be inserted at the end;

(ii) in sub-clause (v), the word “and” occurring at the end shall be omitted;

(iii) sub-clause (vi) shall be omitted;

(b) sub-section (8) shall be omitted with effect from the 1st day of April, 1986;

(c) after sub-section (11), the following sub-section shall be inserted with effect from the 1st day of April, 1986, namely:—

“(12) No deduction shall be allowed in respect of any expenditure incurred by the assessee by way of fees or other remuneration paid to any person (other than an employee of the assessee),—

(a) for services in connection with any proceeding under this Act before any income-tax authority or the Commission constituted under section 245B or a competent authority within the meaning of clause (b) of section 269A or the Appellate Tribunal or any court; or

(b) for services in connection with any other proceeding before any court, being a proceeding relating to tax, penalty, interest or any other matter under this Act.”.

21 of 1984.

13. In section 44AB (inserted by section 11 of the Finance Act, 1984) of the Income-tax Act, in the proviso, the words “by an accountant” shall be omitted.

Amend-
ment of
section
44AB.

14. In section 54 of the Income-tax Act, in sub-section (1), the words and figures “to which the provisions of section 53 are not applicable” shall be omitted.

Amend-
ment of
section
54.

15. In section 58 of the Income-tax Act, in clause (a) of sub-section (1), after sub-clause (i), the following sub-clause shall be inserted with effect from the 1st day of April, 1986, namely:—

Amend-
ment of
section
58.

“(ia) any expenditure of the nature referred to in sub-section (12) of section 40A.”.

Amend-
ment of
section
80CC.

16. In section 80CC of the Income-tax Act, in sub-section (3), in clause (a),—

(a) for the words “with the main object of carrying on the business of—”, the words “and the issue is wholly and exclusively for the purposes of carrying on the business of—” shall be substituted;

(b) in the proviso, the words “formed and registered in India with the main object of” shall be omitted.

Omission
of sec-
tion 80F.

17. Section 80F of the Income-tax Act shall be omitted with effect from the 1st day of April, 1986.

Amend-
ment of
section
80G.

18. In section 80G of the Income-tax Act,—

(a) in sub-section (1), for clause (i), the following clause shall be substituted with effect from the 1st day of April, 1986, namely:—

“(i) in a case where the aggregate of the sums specified in sub-section (2) includes any sum or sums of the nature specified in sub-clause (iiia) or in sub-clause (vii) of clause (a) thereof, an amount equal to the whole of the sum or, as the case may be, sums of such nature *plus* fifty per cent. of the balance of such aggregate; and”;

(b) in sub-section (2), in clause (a), after sub-clause (iiib), the following sub-clause shall be inserted, namely:—

“(iiic) the Indira Gandhi Memorial Trust, the deed of declaration in respect whereof was registered at New Delhi on the 21st day of February, 1985; or”.

Substitu-
tion at
new sec-
tion for
section
80HHC.

19. In the Income-tax Act, for section 80HHC, the following section shall be substituted with effect from the 1st day of April, 1986, namely:—

Deduc-
tion in
respect
of pro-
fits re-
tained
for
export
business.

‘80HHC. (1) Where an assessee, being an Indian company or a person (other than a company) resident in India, is engaged in the business of export out of India of any goods or merchandise to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount, not exceeding fifty per cent. of the profits derived by the assessee from the export of such goods or merchandise:

Provided that an amount equal to the amount of the deduction claimed under this sub-section is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee.

(2) (a) This section applies to all goods or merchandise, other than those specified in clause (b), if the sale proceeds of such goods or merchandise exported out of India are receivable by the assessee in convertible foreign exchange.

(b) This section does not apply to the following goods or merchandise, namely:—

- (i) mineral oil; and
- (ii) minerals and ores.

(3) For the purposes of sub-section (1), profits derived from the export of goods or merchandise out of India shall be,—

(a) in a case where the business carried on by the assessee consists exclusively of the export out of India of the goods or merchandise to which this section applies, the profits of the business as computed under the head "Profits and gains of business or profession";

(b) in a case where the business carried on by the assessee does not consist exclusively of the export out of India of the goods or merchandise to which this section applies, the amount which bears to the profits of the business (as computed under the head "Profits and gains of business or profession") the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee.

Explanation.—For the purposes of this section,—

(a) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder;

46 of 1973.

(b) "export turnover" means the sale proceeds receivable by the assessee in convertible foreign exchange of any goods or merchandise to which this section applies and which are exported out of India, but does not include freight or insurance attributable to the transport of the goods or merchandise beyond the customs station as defined in the Customs Act, 1962.

52 of 1962.

20. In section 80-I of the Income-tax Act,—

(a) in sub-section (2), in clause (iii), for the words "four years", the words "nine years" shall be substituted;

Amendment of section 80I.

(b) in sub-section (3), in clause (iii), for the words "four years", the words "nine years" shall be substituted;

(c) in sub-section (4), in clause (iv), for the words, figures and letters "before the 1st day of April, 1985", the words, figures and letters "before the 1st day of April, 1990" shall be substituted.

21. Section 80JJ of the Income-tax Act shall be omitted with effect from the 1st day of April, 1988.

Omission of section 80JJ

Omission
of sec-
tion 80N.

22. Section 80N of the Income-tax Act shall be omitted with effect from the 1st day of April, 1986.

Amend-
ment of
section
80QQA.

23. In section 80QQA of the Income-tax Act, in sub-section (1), for the words "four assessment years", the words "nine assessment years" shall be substituted.

Omission
of sec-
tion 80V.

24. Section 80V of the Income-tax Act shall be omitted with effect from the 1st day of April, 1986.

Omission
of sec-
tion
80VV.

25. Section 80VV of the Income-tax Act shall be omitted with effect from the 1st day of April, 1986.

Amend-
ment of
section
115.

26. In section 115 of the Income-tax Act, in clause (i), for sub-clause (a), the following sub-clause shall be substituted with effect from the 1st day of April, 1986, namely:—

"(a) on so much of the amount of such long-term capital gains as relate to buildings or lands or any rights in buildings or lands, at the rate of fifty per cent.; and".

Amend-
ment of
section
115E.

27. In section 115E of the Income-tax Act, with effect from the 1st day of April, 1986,—

(a) in sub-section (1), the words "as increased by a surcharge for purposes of the Union at the rate of twelve and a half per cent. of such income-tax" shall be omitted;

(b) in sub-section (2), in clause (i), for the words "the aggregate of the income-tax and surcharge", the words "the income-tax" shall be substituted.

Amend-
ment of
section
136.

28. In section 136 of the Income-tax Act, the words and figures "and every Income-tax authority shall be deemed to be a Civil Court for the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973" shall be inserted and shall be deemed to have been inserted at the end with effect from the 1st day of April, 1974.

2 of 1974.

Amend-
ment of
section
139.

29. In section 139 of the Income-tax Act,—

(a) in sub-section (1A), in clause (b) [as substituted by sub-clause (i) of clause (a) of section 25 of the Taxation Laws (Amendment) Act, 1984], for the words "eighteen thousand rupees", the words "twenty-four thousand rupees" shall be substituted with effect from the 1st day of April, 1986;

67 of 1984.

(b) in sub-section (9), in the *Explanation* in clause (e), for the words "auditor's report", the words, figures and letter "auditor's report and, where an audit of cost accounts of the assessee has been conducted under section 233B of the Companies Act, 1956, also the report under that section" shall be substituted.

1 of 1956.

30. In the Income-tax Act, for section 167A, the following section shall be substituted, namely:—

Substitution of new section for section 167A.

'167A. Where the individual shares of the members of an association of persons (other than a company or co-operative society) in the whole or any part of the income of such association are indeterminate or unknown, tax shall be charged on the total income of the association at the maximum marginal rate.

Charge of tax where shares of members unknown.

Explanation.—For the purposes of this section,—

(a) "maximum marginal rate" shall have the meaning assigned to it in *Explanation 2* below sub-section (3) of section 164;

(b) the individual shares of the members of an association of persons in the whole or any part of the income of such association shall be deemed to be indeterminate or unknown if such shares (in relation to the whole or any part of such income) are indeterminate or unknown on the date of formation of such association or at any time thereafter.

31. After section 180 of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1986, namely:—

Insertion of new section 180A.

'180A. Where the time taken by an individual, who is resident in India, for developing any know-how is more than twelve months, he may elect that the gross amount of any lump sum consideration received or receivable by him during the previous year for allowing use of such know-how shall be treated for the purposes of charging income-tax for that year and for each of the two immediately preceding previous years as if one-third thereof were included in his income chargeable to tax for each of those years respectively and if he so elects, notwithstanding anything contained in any other provision of this Act,—

Consideration for know-how.

(a) such gross amount shall be so treated, and

(b) the assessments for each of the two preceding previous years shall, if made, be accordingly rectified under section 154, the period of four years specified in sub-section (7) of that section being reckoned from the end of the financial year in which the assessment relating to the previous year in which the amount was received or receivable by such individual is made.

Explanation.—For the purposes of this section, the expression "know-how" has the meaning assigned to it in section 35AB.

32. In section 208 of the Income-tax Act, in sub-section (2), in clauses (c) and (d), for the letters and figures "Rs. 15,000", the letters and figures "Rs. 18,000" shall be substituted.

Amendment of section 208.

Amend-
ment of
section
245D.

33. In section 245D of the Income-tax Act, in sub-section (2A), after the words, brackets and figure "order under sub-section (1)", the words "allowing the application to be proceeded with" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1984.

Amend-
ment of
section
273A.

34. In section 273A of the Income-tax Act, *Explanation 2* below sub-section (1) shall be omitted.

Amend-
ment of
section
278A.

35. In section 278A of the Income-tax Act, after the word, figures and letters "section 276CC", the words, figures and letters "or section 276DD" shall be inserted.

Conse-
quential
amend-
ments.

36. The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, with effect from the 1st day of April, 1986, namely:—

(a) in section 80A,—

(i) in sub-section (1), for the figures and letters "80VV", the figures and letter "80U" shall be substituted;

(ii) in sub-section (3), the words, figures and letters "or section 80JJ" shall be omitted;

(b) in section 80O, for the *Explanation*, the following *Explanation* shall be substituted, namely:—

'Explanation.—For the purposes of this section,—

(i) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the law for the time being in force for regulating payments and dealings in foreign exchange;

(ii) any income used by the assessee outside India in the manner permitted by the Reserve Bank of India shall be deemed to have been brought into India in accordance with the law for the time being in force for regulating payments and dealings in foreign exchange, on the date on which such permission is given.;

(c) in section 80P, in sub-section (3), the words, figures and letters "or section 80JJ" shall be omitted;

(d) in section 80VVA, in sub-section (2),—

(i) after clause (xiii), the following clause shall be inserted, namely:—

"(xiiiia) section 33AB;";

(ii) clause (xxiii) shall be omitted;

(m) clause (xxvi) shall be omitted;

(e) in section 155, sub-section (11) shall be omitted;

(f) in section 269SS, in the *Explanation*, for clause (i), the following clause shall be substituted, namely:—

10 of 1949.

“(i) “banking company” means a company to which the Banking Regulation Act, 1949, applies and includes any bank or banking institution referred to in section 51 of that Act;”;

(g) in section 269T, in the *Explanation*, for clause (i), the following clause shall be substituted, namely:—

“(i) “banking company” shall have the meaning assigned to it in clause (i) of the *Explanation* to section 269SS;”;

(h) the Tenth Schedule shall be omitted.

Wealth-tax

27 of 1957.

37. In section 5 of the Wealth-tax Act, 1957 (hereinafter referred to as the Wealth-tax Act),—

Amendment of section 5.

(a) in sub-section (1), with effect from the 1st day of April, 1986,—

(i) the following proviso shall be added to clause (i), namely:—

“Provided that nothing contained in this clause shall apply to any property forming part of any business, not being a business referred to in clause (a) or clause (b) of sub-section (4A) of section 11 of the Income-tax Act in respect of which separate books of account are maintained;”;

(ii) in clause (iv), the proviso shall be omitted;

(b) in sub-section (1A), with effect from the 1st day of April, 1986,—

(i) for the word, brackets and figures “clauses (xv)”, the word, brackets and figures “clauses (iv), (xv)” shall be substituted;

(ii) for the words “two hundred and sixty-five thousand rupees”, at both the places where they occur, the words “five hundred thousand rupees” shall be substituted;

21 of 1984.

(iii) the second proviso [inserted by item (3) of sub-clause (ii) of clause (a) of section 34 of the Finance Act, 1984] shall be omitted;

21 of 1984.

(iv) in the third proviso [inserted by item (3) of sub-clause (ii) of clause (a) of section 34 of the Finance Act, 1984], for the words “Provided also”, the words “Provided further” shall be substituted;

21 of 1984.

(c) in sub-section (3) [as amended by sub-clause (iii) of clause (a) of section 34 of the Finance Act, 1984], the brackets, figures and letter “(xxvii),” shall be omitted.

Amend-
ment of
section
18B.

38. In section 18B of the Wealth-tax Act, Explanation 2 below sub-section (1) shall be omitted.

Amend-
ment of
section
22D.

39. In section 22D of the Wealth-tax Act, in sub-section (2A), after the words, brackets and figure "order under sub-section (1)", the words "allowing the application to be proceeded with" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of October, 1984.

Amend-
ment of
Sche-
dule I.

40. In the Wealth-tax Act, for Part I of Schedule I, the following Part shall be substituted with effect from the 1st day of April, 1986, namely:—

"PART I

(1) In the case of every individual or Hindu undivided family, not being a Hindu undivided family to which item (2) of this Part applies,—

Rate of tax

(a) where the net wealth does not exceed Rs. 2,50,000	Nil;
(b) where the net wealth exceeds Rs. 2,50,000 but does not exceed Rs. 10,00,000	$\frac{1}{2}$ per cent. of the amount by which the net wealth exceeds Rs. 2,50,000;
(c) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 20,00,000	Rs. 3,750 plus 1 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000;
(d) where the net wealth exceeds Rs. 20,00,000	Rs. 13,750 plus 2 per cent. of the amount by which the net wealth exceeds Rs. 20,00,000.

(2) In the case of every Hindu undivided family which has at least one member whose net wealth assessable for the assessment year exceeds Rs. 2,50,000,—

Rate of tax

(a) where the net wealth does not exceed Rs. 1,50,000	Nil;
(b) where the net wealth exceeds Rs. 1,50,000 but does not exceed Rs. 5,00,000	1 per cent. of the amount by which the net wealth exceeds Rs. 1,50,000;
(c) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 3,500 plus 2 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000;
(d) where the net wealth exceeds Rs. 10,00,000	Rs. 13,500 plus 3 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000.

Interest-tax

41. In the Interest-tax Act, 1974, in section 6, in sub-section (2), after the words, figures and letters "ending with the 30th day of June, 1980", the words, figures and letters "or after the 31st day of March, 1985" shall be inserted.

Amend-
ment of
Act 45
of 1974.

CHAPTER IV

INDIRECT TAXES

Customs

42. The Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act), shall be amended in the manner specified in the Second Schedule.

Amend-
ment of
Act 51
of 1975.

43. (1) In the case of goods mentioned in the First Schedule to the Customs Tariff Act, or in that Schedule, as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to fifty per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962 (hereinafter referred to as the Customs Act).

Auxi-
liary
duties of
customs.

52 of 1962.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1986, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(3) The auxiliary duties of customs referred to in sub-section (1) shall be in addition to any duties of customs chargeable on such goods under the Customs Act, or any other law for the time being in force.

(4) The provisions of the Customs Act and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations, as the case may be.

44. (1) In the case of goods specified in the Fifth Schedule, being goods imported into India, there shall be levied and collected as an additional duty of customs an amount calculated at the rate set forth in the said Schedule.

Addi-
tional
duties of
customs
(Televi-
sion
sets).

(2) The additional duties of customs referred to in sub-section (1) shall be in addition to any other duties of customs chargeable on such goods under the Customs Act or any other law for the time being in force.

(3) The provisions of the Customs Act and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the additional duties of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations, as the case may be.

Excise

Amend-
ment of
section 2.

45. In section 2 of the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in clause (f), after sub-clause (ii), the following sub-clause shall be inserted, namely:—

1 of 1944.

“(iii) in relation to goods comprised in Item No. 3A of the First Schedule, includes the labelling or re-labelling of containers and repacking from bulk packs to retail packs or the adoption of any other treatment to render the product marketable to the consumer;”.

Amend-
ment of
First
Schedule.

46. The First Schedule to the Central Excises Act shall be amended in the manner specified in the Third Schedule.

Special
duties of
excise.

47. (1) In the case of goods chargeable with a duty of excise under the Central Excises Act, as amended from time to time, read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable (not being a notification providing for any exemption for giving credit with respect to, or reduction of duty of excise under the said Act on such goods equal to, any duty of excise under the said Act, or the additional duty under section 3 of the Customs Tariff Act, already paid on the raw material or component parts used in the production or manufacture of such goods), there shall be levied and collected a special duty of excise equal to ten per cent of the amount so chargeable on such goods.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1986, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(3) The special duties of excise referred to in sub-section (1) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act, or any other law for the time being in force.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be apply in relation to the levy and collection of the special duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules, as the case may be.

Amend-
ment of
Act 58
of 1957.

48. The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the Additional Duties of Excise Act), shall be amended in the manner specified in the Fourth Schedule.

Addi-
tional
duties of
excise
(Televi-
sion
sets).

49. (1) In the case of goods specified in the Fifth Schedule, being goods manufactured in India, there shall be levied and collected as an additional duty of excise an amount calculated at the rate set forth in the said Schedule.

(2) The additional duties of excise referred to in sub-section (1) shall be in addition to any other duties of excise chargeable on such

goods under the Central Excises Act or any other law for the time being in force.

(3) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the additional duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of duties of excise on such goods under that Act or those rules, as the case may be.

(4) The additional duties of excise leviable under sub-section (1) shall be for the purposes of the Union and the proceeds thereof shall not be distributed among the States.

CHAPTER V

MISCELLANEOUS

50. In the Indian Stamp Act, 1899, in Schedule I, in the column headed "Proper Stamp-duty", with effect from the 1st day of July, 1985,—

Amend-
ment of
Act 2 of
1899.

(a) in article No. 14, for the words "Twenty-five naye paise", the words "One rupee" shall be substituted;

(b) in article No. 37, for the words "One rupee", the words "Two rupees" shall be substituted.

Declaration under the Provisional Collection of Taxes Act, 1931.

It is hereby declared that it is expedient in the public interest that the provisions of clauses 42, 43, 44, 45, 46, 47, 48 and 49 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

THE FIRST SCHEDULE

(See section 2)

PART I

INCOME-TAX AND SURCHARGE ON INCOME-TAX

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 15,000	Nil,
(2) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	20 per cent. of the amount by which the total income exceeds Rs. 15,000;
(3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 1,000 plus 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(4) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 2,250 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000;
(5) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000	Rs. 3,750 plus 35 per cent. of the amount by which the total income exceeds Rs. 30,000;
(6) where the total income exceeds Rs. 40,000 but does not exceed Rs. 50,000	Rs. 7,250 plus 40 per cent. of the amount by which the total income exceeds Rs. 40,000;
(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 11,250 plus 45 per cent. of the amount by which the total income exceeds Rs. 50,000;
(8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000	Rs. 20,250 plus 50 per cent. of the amount by which the total income exceeds Rs. 70,000;
(9) where the total income exceeds Rs. 1,00,000	Rs. 35,250 plus 55 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and a half per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1985 exceeds Rs. 15,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000	Nil;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000	22 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,340 plus 27 per cent. of the amount by which the total income exceeds Rs. 15,000;
(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,890 plus 35 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,640 plus 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,640 plus 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(7) where the total income exceeds Rs. 50,000	Rs. 16,640 plus 60 per cent. of the amount by which the total income exceeds Rs. 50,000;

Provided that for the purposes of this Sub-Paragraph,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 12,000;

(ii) where the total income exceeds Rs. 12,000 but does not exceed Rs. 17,610, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 12,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and a half per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	15 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000;

(3) where the total income exceeds Rs. 20,000	ex- Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000.
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Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and a half per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	5 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 750 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,500 plus 15 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 10,000 plus 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and a half per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent. of the amount by which the total income exceeds Rs. 10,000;

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,350 plus 13 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 3,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and a half per cent. of such income-tax.

Explanation.—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of twelve and a half per cent. of such income-tax.

Paragraph E

In the case of a company,—

Rates of income-tax

I. In the case of a domestic company,—

(1) where the company is a company in which 55 per cent. of the total income; the public are substantially interested.

(2) where the company is not a company in which the public are substantially interested—

- | | |
|--|-----------------------------------|
| (i) in the case of an industrial company | 60 per cent. of the total income; |
| (ii) in any other case | 65 per cent. of the total income. |

II. In the case of a company other than a domestic company,—

(i) on so much of the total income as consists of—

(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976.

and where such agreement has, in either case, been approved by the Central Government 50 per cent;

(ii) on the balance, if any, of the total income 70 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates:—

	Income-tax	
	Rate of Income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(a) where the person is resident in India—		
(i) on income by way of interest other than "Interest on securities"	10 per cent.	Nil ;
(ii) on income by way of winnings from lotteries and crossword puzzles	30 per cent.	Nil ;
(iii) on income by way of winnings from horse races	30 per cent.	Nil ;
(iv) on income by way of insurance commission	10 per cent.	Nil ;
(v) on income by way of interest payable on	10 per cent.	Nil ;
(A) any security, other than a tax-free security, of the Central or a State Government;		
(B) any debentures or other securities for money issued by or on		

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behalf of any local authority or a corporation established by a Central, State or Provincial Act;

(C) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956, and any rules made thereunder.

(vi) on any other income (excluding interest payable on a tax-free security)	20 per cent.	Nil;
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(b) where the person is not resident in India -

(i) in the case of a non-resident Indian

(A) on investment income and long-term capital gains	20 per cent.	Nil;
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(B) on income by way of interest payable on a tax-free security	15 per cent.	Nil;
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(C) on the whole of the other income,	income-tax at 30 per cent. of the amount of the income,
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or

income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

whichever is higher;

(ii) in the case of any other person—

(A) on the whole of the income (excluding interest payable on a tax-free security)	income-tax at 30 per cent. of the amount of the income,
--	---

or

income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,

whichever is higher;

(B) on income by way of interest payable on a tax-free security	15 per cent.	Nil;
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	Income-tax	
	Rate of Income-tax	Rate of surcharge
2. In the case of a Company—		
(a) where the company is a domestic company—		
(i) on income by way of interest other than “Interest on securities”	20 per cent.	1 per cent.;
(ii) on any other income (excluding interest payable on a tax-free security)	21·5 per cent.	1·075 per cent.;
(b) where the company is not a domestic company—		
(i) on income by way of dividends payable by any domestic company	25 per cent.	<i>Nil</i> ;
(ii) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	25 per cent.	<i>Nil</i> ;
(iii) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (1A) of section 115A of the Income-tax Act, to the Indian concern	40 per cent.	<i>Nil</i> ;
(iv) on income by way of royalty [not being royalty of the nature referred to in sub-item (b) (iii)] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and which has been approved by the Central Government,—		
(A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976	50 per cent.	2·5 per cent.;

		Income-tax	
		Rate of Income-tax	Rate of surcharge
<hr/>			
(B) where the agreement is made after the 31st day of March, 1976—			
(1) on so much of the amount of	20 per cent.		<i>Nil</i>
such income as consists of lump sum consideration for the transfer outside India of, or the imparting of infor- mation outside India, in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, or trade mark or similar property			
(2) on the balance, if any,	40 per cent.		<i>Nil</i>
of such income			
(v) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and which has been approved by the Central Government—			
(A) where the agreement is made	50 per cent.		2.5 per cent;
after the 29th day of February, 1964 but before the 1st day of April, 1976			
(B) where the agreement is made	40 per cent.		<i>Nil</i> ;
after the 31st day of March, 1976			
(vi) on income by way of interest	44 per cent.		2.2 per cent.
payable on a tax-free security			
(vii) on any other income	65 per cent.		3.25 per cent.

Explanation.—For the purposes of this Part, “investment income”, “long-term capital gains” and “non-resident Indian” shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" [not being "advance tax" in respect of any income chargeable to tax under Chapter XII or Chapter XII-A or sub-section (1A) of section 161 or section 164 or section 164A or section 167A of the Income-tax Act at the rates as specified in that Chapter or section], shall be so calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 18,000	Nil;
(2) where the total income exceeds Rs. 18,000 but does not exceed Rs. 25,000	25 per cent. of the amount by which the total income exceeds Rs. 18,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 1,750 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 9,250 plus 40 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 29,250 plus 50 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income

of the previous year relevant to the assessment year commencing on the 1st day of April, 1936 exceeds Rs. 18,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 12,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 12,000 but does not exceed Rs. 20,000	25 per cent. of the amount by which the total income exceeds Rs. 12,000;
(3) where the total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	Rs. 2,000 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(4) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 8,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 40,000;
(5) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,00,000;	Rs. 16,000 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 60,000;
(6) where the total income exceeds Rs. 1,00,000	Rs. 36,000 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Paragraph B

In the case of every co-operative society,—

Rates of Income-tax

(1) where the total income does not exceed Rs. 10,000	15 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,500 <i>plus</i> 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 4,000 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	5 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 750 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,500 <i>plus</i> 15 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 10,000 <i>plus</i> 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 <i>plus</i> 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,350 <i>plus</i> 13 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,850 <i>plus</i> 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Explanation.—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 50 per cent.

Paragraph E

In the case of a company,—

Rates of income-tax

I. In the case of a domestic company,—

- | | |
|--|-----------------------------------|
| (1) where the company is a company in which the public are substantially interested | 50 per cent. of the total income; |
| (2) where the company is not a company in which the public are substantially interested— | |
| (i) in the case of a trading company or an investment company | 60 per cent. of the total income; |
| (ii) in any other case | 55 per cent. of the total income. |

II. In the case of a company other than a domestic company,—

(i) on so much of the total income as consists of—

(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government 50 per cent.

(ii) on the balance, if any, of the total income 65 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART IV

[See section 2(8) (f)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

Rule 1.—Agricultural income of the nature referred to in sub-clause (a) of clause (1) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A.

Rule 2.—Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3.—Agricultural income of the nature referred to in sub-clause (c) of clause (1) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted.

Rule 4.—Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6.—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 7.—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income:

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of section 183 of the Income-tax Act or is a member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

Rule 8.—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 9.—(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1985, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1977 or the 1st day of April, 1978 or the 1st day of April, 1979 or the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1978 or the 1st day of April, 1979 or the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1978, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1979 or the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1979, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984,

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1980, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984.

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1981, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984,

(vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1983 or the 1st day of April, 1984,

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1984,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1985.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1986 or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1978 or the 1st day of April, 1979 or the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985, is a loss, then, for the purposes of sub-section (6) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1978, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1979 or the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1979, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1980 or the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1980, to

the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1981 or the 1st day of April, 1982 or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985,

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1981, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, or the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985,

(v) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1982, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1983 or the 1st day of April, 1984 or the 1st day of April, 1985,

(vi) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1983, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1984 or the 1st day of April, 1985,

(vii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1984, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1985, and

(viii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1985,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1986 or the period aforesaid.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance (No. 2) Act, 1977, or of the Schedule to the Finance Act,

1978, or of the First Schedule to the Finance Act, 1979, or of the First Schedule to the Finance (No. 2) Act, 1980, or of the First Schedule to the Finance Act, 1981, or of the First Schedule to the Finance Act, 1982, or of the First Schedule to the Finance Act, 1983, or of the First Schedule to the Finance Act, 1984, shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

19 of 1978.
21 of 1979.
44 of 1980.
16 of 1981.
14 of 1982.
11 of 1983.
21 of 1984.

Rule 10.—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be *nil*.

Rule 11.—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 12.—For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

THE SECOND SCHEDULE

[See section 42]

In the First Schedule to the Customs Tariff Act,—

(i) in Heading No. 27.09, for the entry in column (3), the entry “20%” shall be substituted;

(ii) in sub-heading No. (2) of Heading No. 84.51/55, for the entry in column (3), the entry “200%” shall be substituted;

(iii) in Heading No. 84.62,—

(1) in sub-heading No. (1), for the entry in column (3), the entry “100%, plus Rs. 100 per bearing” shall be substituted;

(2) in sub-heading No. (2), for the entry in column (3), the entry “200%, plus Rs. 100 per bearing” shall be substituted;

(3) in sub-heading No. (3), for the entry in column (3), the entry “200%, plus Rs. 100 per bearing” shall be substituted.

THE THIRD SCHEDULE

[See section 46]

PART I

In the First Schedule to the Central Excises Act,—

(i) in Item No. 14AA,—

(a) for the Heading “CHEMICALS, THE FOLLOWING, NAMELY:—”, the Heading “INORGANIC CHEMICALS, THE FOLLOWING, NAMELY:—” shall be substituted;

(b) in sub-Item (1), the brackets and figure "(1)" shall be omitted;

(c) sub-Item (2) and the entries relating thereto shall be omitted;

(ii) in Item No. 14E, for the entry in the third column, the entry "Thirteen per cent. *ad valorem*." shall be substituted;

(iii) in Item No. 16B, in the second column, for the words "IN SHEETS, BLOCKS, BOARDS OR THE LIKE;" the words "IN SHEETS, BLOCKS, BOARDS OR THE LIKE, WHETHER OR NOT FACE COVERED WITH TEXTILE FABRICS, ARTIFICIAL PLASTIC MATERIAL, PAINT, PAPER OR METAL;" shall be substituted;

(iv) in Item No. 18,—

(a) for the entry in the third column against sub-Item II(i) (a), the entry "One hundred and five rupees per kilogram." shall be substituted;

(b) for the entry in the third column against sub-Item II(i) (b), the entry "One hundred and fifteen rupees per kilogram." shall be substituted;

(c) for the entry in the third column against sub-Item II(ii), the entry "Twenty-five rupees per kilogram." shall be substituted;

(d) for the entry in the third column against sub-Item II(iii), the entry "One hundred and fifteen rupees per kilogram." shall be substituted;

(e) for the entry in the third column against sub-Item III(i), the entry "Eight paise per count per kilogram." shall be substituted;

(f) for the entry in the third column against sub-Item III(ii), the entry "Twenty-four rupees per kilogram." shall be substituted;

(g) for the entry in the third column against sub-Item IV, the entry "Twelve rupees per kilogram." shall be substituted;

(v) in Item No. 18A,—

(a) for the entry in the third column against sub-Item (i), the entry "Eight paise per count per kilogram." shall be substituted;

(b) for the entry in the third column against sub-Item (ii), the entry "Twenty-four rupees per kilogram." shall be substituted;

(vi) in Item No. 18B, for the entry in the third column against sub-Item (ii), the entry "Twenty-four rupees per kilogram." shall be substituted;

(vii) in Item No. 18C, for the entry in the third column against sub-Item (ii), the entry "Twenty-four rupees per kilogram." shall be substituted;

(viii) in Item No. 18D, for the entry in the third column, the entry "Six hundred and sixty rupees per metric tonne." shall be substituted;

(ix) in Item No. 18E, for the entry in the third column, the entry "Thirty rupees per kilogram." shall be substituted;

(x) in Item No. 19,—

(a) in the second column, for the words, brackets and figures "if (i) in such fabrics cotton predominates in weight, or (ii) such fabrics contain more than 40 per cent. by weight of cotton and 50 per cent. or more by weight of non-cellulosic fibres or yarn or both", the words "if in such fabrics cotton predominates in weight" shall be substituted;

(b) for the entry in the third column against sub-Item II, the entry "The duty for the time being leviable on the base fabrics, if not already paid, *plus* twenty-five per cent. *ad valorem*." shall be substituted;

(xi) in Item No. 20, for the entry in the third column against sub-Item (2), the entry "The duty for the time being leviable on the base fabrics, if not already paid, *plus* twenty-five per cent. *ad valorem*." shall be substituted;

(xii) in Item No. 21,—

(a) in the second column, for the words and figures "fabrics in which wool predominates in weight or which contain more than 30 per cent. of wool and 50 per cent. or more of non-cellulosic fibre or yarn or both", the words "fabrics in which wool predominates in weight" shall be substituted;

(b) for the entry in the third column against sub-Item (2), the entry "The duty for the time being leviable on the base fabrics, if not already paid, *plus* twenty-five per cent. *ad valorem*." shall be substituted;

(xiii) in Item No. 22,—

(a) for the entry in the third column against sub-Item (2), the entry "The duty for the time being leviable on the base fabrics, if not already paid, *plus* twenty-five per cent. *ad valorem*." shall be substituted;

(b) for *Explanation II*, the following *Explanation* shall be substituted, namely:—

"*Explanation II*.—This Item does not include glass fabrics.";

(xiv) in Item No. 22A, for each of the entries in the third column against sub-Items (1) and (2), the entry "Six hundred and sixty rupees per metric tonne." shall be substituted;

(xv) in Item No. 25,—

(a) for the entry in the third column against sub-Item (1), the entry "One hundred rupees per metric tonne." shall be substituted;

(b) for the entry in the third column against sub-Item (2), the entry "Twelve per cent. *ad valorem*." shall be substituted;

(c) for the entries in the third column against sub-Items (3) (i) and (3) (ii), the entries "One hundred rupees per metric tonne." and "Four hundred rupees per metric tonne." shall, respectively, be substituted;

(d) for the entries in the third column against sub-Items (4) (i) and (4) (ii), the entries "One hundred rupees per metric tonne." and "Eight hundred and twenty-five rupees per metric tonne." shall, respectively, be substituted;

(e) for the entry in the third column against sub-Item (5), the entry "Twelve per cent. *ad valorem*." shall be substituted;

(f) for the entries in the third column against sub-Items (6) (i), (6) (ii) and (6) (iii), the entries "One hundred rupees per metric tonne.", "Four hundred rupees per metric tonne." and "Four hundred rupees per metric tonne." shall, respectively, be substituted;

(g) for the entries in the third column against sub-Items (7) (i) and (7) (ii), the entries "One hundred rupees per metric tonne." and "Four hundred rupees per metric tonne." shall, respectively, be substituted;

(h) for the entry in the third column against sub-Item (8), the entry "Four hundred rupees per metric tonne." shall be substituted;

(i) for the entries in the third column against sub-Items (9) (i) and (9) (ii), the entries "One thousand and five hundred rupees per metric tonne." and "Four hundred rupees per metric tonne." shall, respectively, be substituted;

(j) for the entry in the third column against sub-Item (10), the entry "Four hundred rupees per metric tonne." shall be substituted;

(k) for the entry in the third column against sub-Item (11), the entry "Four hundred rupees per metric tonne." shall be substituted;

(l) for the entry in the third column against sub-Item (12), the entry "One thousand and five hundred rupees per metric tonne." shall be substituted;

(m) for the entries in the third column against sub-Items (13) (i), (13) (ii), (13) (iii) and (13) (iv), the entries

"One thousand and five hundred rupees per metric tonne.", "One thousand nine hundred and twenty-five rupees per metric tonne.", "One thousand three hundred and seventy-five rupees per metric tonne." and "One thousand and five hundred rupees per metric tonne." shall, respectively, be substituted;

(n) for the entry in the third column against sub-Item (14), the entry "Four hundred rupees per metric tonne." shall be substituted;

(o) for the entry in the third column against sub-Item (15), the entry "One thousand and one hundred rupees per metric tonne, plus the excise duty for the time being leviable on pig iron or steel ingots, as the case may be." shall be substituted;

(p) for the entries in the third column against sub-Items (16) (i) and (16) (ii), the entries "One hundred rupees per metric tonne." and "Eight hundred and twenty-five rupees per metric tonne." shall, respectively, be substituted;

(q) in clause (xviii) of the *Explanation*, the words "and includes a corrugated sheet" shall be inserted at the end;

(xvi) in Item No. 26A, in the *Explanation* below sub-Item (10),—

(a) in clause (vi), the words "and includes a corrugated or troughed sheet" shall be inserted at the end;

(b) in clause (x), for the words "or extrusion process;", the words "extrusion, welding or brazing process;" shall be substituted;

(xvii) in Item No. 26B, in clause (vi) of the *Explanation* below sub-Item (8), the words "and includes a corrugated or troughed sheet" shall be inserted at the end;

(xviii) in Item No. 27,—

(a) in the entry in the second column against sub-Item (10), for the words "hollow sections", the words "hollow sections and semi-hollow sections" shall be substituted;

(b) in the *Explanation* below sub-Item (11),—

(1) in clause (vi), the words "and includes a corrugated or troughed sheet" shall be inserted at the end;

(2) after clause (x), the following clause shall be inserted, namely:—

'(xa) "semi-hollow section" means a section which is normally extruded, drawn or cast and any part of whose cross-section is a partially enclosed void, the area of which is substantially greater than the square of the width of the gap;';

(xix) in Item No. 29A, in the entry in the second column against sub-Item (2), after the words "package type air conditioners", the words "; split unit air conditioners, cooling or room unit and condensing unit therefor" shall be inserted;

(xx) in Item No. 41, for the entry in the third column, the entry "Five paise each." shall be substituted;

(xxi) in Item No. 68, for the entry in the third column, the entry "Twelve per cent. *ad valorem*," shall be substituted.

PART II

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

In the First Schedule to the Central Excises Act,—

(i) after Item No. 3, the following Item shall be inserted, namely:—

3A. PAN MASALA—

Pan masala, that is to say, any preparation containing betel nuts and any one or more other ingredients such as lime, catechu, cardamom, copra and menthol, put up for sale in unit containers and commonly known as "pan masala".

Twenty rupees per kilogram.';

(ii) after Item No. 14AA, the following Item shall be inserted, namely:—

"14AAA. ORGANIC CHEMICALS, THE FOLLOWING, NAMELY:—

(1) Acetic acid	Fifteen per cent. <i>ad valorem</i> .
(2) Acetic anhydride	Fifteen per cent. <i>ad valorem</i> .
(3) Acetone	Fifteen per cent. <i>ad valorem</i> .
(4) Phenol	Fifteen per cent. <i>ad valorem</i> .
(5) Methanol	Fifteen per cent. <i>ad valorem</i> .
(6) Caprolactam	Fifty per cent. <i>ad valorem</i> .
(7) Dimethyl terephthalate	Fifty per cent. <i>ad valorem</i> ."

(iii) for Item No. 14F, the following Item shall be substituted, namely:—

"14F. COSMETICS AND TOILET PREPARATIONS NOT CONTAINING ALCOHOL OR OPIUM, INDIAN HEMP OR OTHER NARCOTIC DRUGS OR NARCOTICS. NAMELY:—

One hundred and five per cent. *ad valorem*.

(i) Preparations for the care of the skin, beauty or make-up preparations and manure or pedicure preparations, such as: beauty creams, vanishing creams, cold creams, make-up creams, cleansing creams, skin foods and skin tonics, face powders, baby powders, toilet powders, talcum powders and grease paints, lipsticks, eye-shadow and eye-brow pencils,

Item No.	Description of goods	Rate of duty
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(1)	(2)	(3)
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nail polishes and varnishes, cuticle removers and other preparations for use in manicure or chiropody, sun-burn preventive preparations and sun-tan preparations, barrier creams to give protection against skin irritants, personal (body) deodorants, depilatories.

(ii) Preparations for the care of the hair, such as; brilliantines, perfumed hair oils, hair lotions, pomades and creams, hair dyes, shampoos whether or not containing soap or organic surface active agents.

(iii) Shaving creams, whether or not containing soap or organic surface active agents.

Explanation I.—"Alcohol", "Opium", "Indian Hemp", "Narcotic Drugs" and "Narcotics" have the meanings respectively assigned to them in section 2 of the Medicinal and Toilet Preparations (Excise Duties) Act, 1955.

Explanation II.—This Item includes cosmetics and toilet preparations whether or not they contain subsidiary pharmaceutical or antiseptic constituents, or are held out as having subsidiary curative or prophylactic value.

Explanation III.—This Item includes un-mixed products, only when they are in packing of a kind sold to the consumer and put up with labels, literature or other indications that they are for use as cosmetics or toilet preparations or put up in a form clearly specialised to such use.

(iv) for Item No. 14H, the following Item shall be substituted, namely:—

"14H. GASES INCLUDING LIQUEFIED OR SOLIDIFIED GASES, THE FOLLOWING, NAMELY:—

(1) Oxygen	One rupee per cubic metre.
(2) Chlorine	One hundred rupees per metric tonne.
(3) Ammonia	One thousand rupees per metric tonne.
(4) Carbonic acid (carbon dioxide)	One rupee per kilogram.
(5) Chlorofluoro hydrocarbons of Thirty-five per cent. ad Methane and Ethane	valorem.
(6) Acetylene (whether in dissolved condition or not)	Ten rupees per cubic metre."

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(v) for Item No. 16, the following Item shall be substituted, namely:—

16. TYRES

“Tyre” means a pneumatic tyre in the manufacture of which rubber is used, and includes the inner tube, the tyre flap and the outer cover of such a tyre:

I. (1) Tyres for motor vehicles and trailers—

(a) Tyres for two-wheeled motor vehicles, namely, scooters, motor cycles, mopeds and auto-cycles—

(i) Tyres	Fifty rupees per tyre.
(ii) Tubes	Twenty rupees per tube.
(iii) Flaps	Twenty rupees per flap.

(b) Others—

(i) Tyres	One thousand six hundred and fifty rupees per tyre.
(ii) Tubes	Two hundred and fifty rupees per tube.
(iii) Flaps	Fifty rupees per flap.

(2) Tyres for tractors, including agricultural tractors—

(a) Tyres	Five hundred and fifty rupees per tyre.
(b) Tubes	One hundred rupees per tube.
(c) Flaps	Fifty rupees per flap.

II. Tyres for cycles and cycle rickshaws—

(1) Tyres	Fifteen per cent. <i>ad valorem</i> .
(2) Tubes	Fifteen per cent. <i>ad valorem</i> .

III. Tyres for vehicles or equipments designed for use off the road—

(1) Tyres	Sixty-six per cent. <i>ad valorem</i> .
(2) Tubes	One thousand rupees per tube.
(3) Flaps	Fifty rupees per flap.

IV. All other tyres—

(1) Tyres	Twenty-eight per cent. <i>ad valorem</i> .
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Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(2) Tubes

One hundred rupees per tube.

(3) Flaps

Fifty rupees per flap.

Explanation I.—"Motor vehicles" means all mechanically propelled vehicles, other than tractors, designed for use upon roads.

Explanation II.—"Motor vehicles", "tractors, including agricultural tractors" and "trailers" shall include a chassis; but shall not include a vehicle running upon fixed rails.

(vi) for Item No. 23A, the following Item shall be substituted, namely:—

23A. GLASS AND GLASSWARE—

(1) Flat glass

Thirty-five per cent. *ad valorem*, plus five rupees and fifty paise per millimetre thickness per square metre.

Explanation. — "Flat glass" includes sheet glass, wired glass and rolled glass whether in the form of plate glass, figured glass or in any other form; but excludes laminated glass and toughened glass, whether shaped or not.

(2) Laboratory glassware

Thirty per cent. *ad valorem*.

(3) Glass shells, glass globes and chimneys for lamps and lanterns

Fifteen per cent. *ad valorem*.

(4) Laminated glass and toughened glass, whether shaped or not

Thirty-five per cent. *ad valorem*.

(5) Other glass and glassware including tableware

Thirty-five per cent. *ad valorem*.

Explanation.— This Item does not include electrical insulators or electrical insulating fittings or parts of such insulators or insulating fittings.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(vii) after Item No. 23C, the following Item shall be inserted, namely:—

"23E. MARBLE, IN THE
FOLLOWING FORMS,
NAMELY:—

(1) Blocks	Sixty rupees per cubic metre.
(2) Slabs	Fifty rupees per square metre.
(3) Tiles	Fifty rupees per square metre."

(viii) after Item No. 48, the following Item shall be inserted, namely:—

"48A. TRAVEL GOODS, THE FOLLOWING,
NAMELY:—

Twenty-five per cent. *ad valorem*."

SUIT CASES, BRIEF
CASES, VANITY BAGS
AND VANITY CASES,
ALL SORTS.

THE FOURTH SCHEDULE

[See section 48]

In the First Schedule to the Additional Duties of Excise Act,—

(i) in Item No. 1, for the entry in the third column, the entry "Ten per cent. *ad valorem*." shall be substituted;

(ii) in Item No. 4, under "II. *Manufactured tobacco*—", for the entries in the third column against sub-Items (3) (i) and (3) (ii), the entries "Four rupees per thousand." and "Two rupees per thousand." shall, respectively, be substituted.

THE FIFTH SCHEDULE

[See sections 44 and 49]

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
	BROADCAST TELEVISION RECEIVER SETS, ALL SORTS, INCLUDING THOSE IN COMBINATION WITH ANY ONE OR MORE OF THE FOLLOWING, NAMELY, RADIOS (INCLUDING TRANSISTOR SETS), TAPE RECORDERS, VIDEO CASSETTE RECORDERS AND ANY OTHER APPLIANCES OR INSTRUMENTS.	One hundred rupees per set

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1985-86. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;
The 16th March, 1985.

VISHWANATH PRATAP SINGH.

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117(1) AND 274(1) OF THE CONSTITUTION OF INDIA

[Copy of letter No. F. 3(1)-B(D)/85, dated the 16th March, 1985 from Shri Vishwanath Pratap Singh, Minister of Finance, to the Secretary-General, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Bill, recommends under article 117(1), read with article 274(1), of the Constitution of India, the introduction of the Finance Bill, 1985 to the Lok Sabha.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 16th March, 1985.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Sub-clause (7) of clause 2 of the Bill provides that if a company makes a deposit with the Industrial Development Bank of India in accordance with any scheme framed by the Central Government, the surcharge on income-tax payable by the company will be reduced to the extent mentioned in the said sub-clause. The scheme will contain details as to the manner of making such deposit, the period for which such deposit may be made and other connected matters of detail. The delegation of legislative power is of a normal character.

NOTES ON CLAUSES

Clause 2, read with the First Schedule to the Bill, seeks to prescribe the rates at which income-tax (including surcharge thereon) is to be levied on income chargeable to tax for the assessment year 1985-86. Further, it lays down the rates at which tax is to be deducted at source during the financial year 1985-86 from incomes subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid and tax is to be calculated and charged in special cases for the financial year 1985-86.

Rates of income-tax for assessment year 1985-86:

Part I of the First Schedule to the Bill specifies the rates of income-tax (including surcharge) on incomes liable to tax for the assessment year 1985-86. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 1984 for the purposes of deduction of tax at source from "Salaries" and for computation of "advance tax" payable during the financial year 1984-85.

Where a company has made any deposit during the financial year 1984-85 under the Companies Deposits (Surcharge on Income-tax) Scheme, 1984 with the Industrial Development Bank of India, the amount of surcharge on income-tax payable by it for the assessment year 1985-86 will be reduced by the amount of deposit so made.

Rates for deduction of tax at source during the financial year 1985-86 from income other than "Salaries":

Part II of the First Schedule to the Bill specifies the rates at which income-tax (including surcharge where applicable) is to be deducted at source during the financial year 1985-86 from incomes other than "Salaries" and retirement annuities under section 80E(9) of the Income-tax Act.

Rates for deduction of tax at source from "Salaries" and retirement annuities, computation of "advance tax" and charging of income-tax in special cases during the financial year 1985-86:

Part III of the First Schedule to the Bill specifies the rates at which income-tax is to be deducted at source from "Salaries" and retirement annuities referred to in section 80E(9) of the Income-tax Act and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 1985-86.

The basic rates of income-tax applicable to co-operative societies, registered firms and local authorities are the same as those specified in Part I of the First Schedule to the Bill for assessment of income liable to tax for the assessment year 1985-86. However, the rate schedules applicable to individuals, Hindu undivided families, unregistered firms, etc. and companies have been replaced by new rate schedules.

The new rate schedule applicable to individuals, Hindu undivided families (other than those with one or more members having income exceeding the exemption limit), unregistered firms, etc., prescribes four rates, with the maximum marginal rate of 50 per cent, applicable to the slab of income exceeding Rs. 1,00,000. The exemption limit has been raised from Rs. 15,000 to Rs. 18,000. The incidence of tax under the new rate schedule at all levels of income is lower than the incidence of tax under the existing rates of tax.

The new rate schedule applicable to Hindu undivided families with one or more members having income exceeding the exemption limit prescribes five rates with the maximum marginal rate of 55 per cent, applicable to the slab of income exceeding Rs. 1,00,000. In the case of such Hindu undivided families, the exemption limit continues to be Rs. 12,000.

Surcharge on income-tax payable by all categories of non-corporate taxpayers has been abolished.

The basic rates of income tax in the case of all categories of companies have been reduced by 5 percentage points, with one exception, that is, closely held consultancy companies, service companies, etc., where the reduction is 10 percentage points.

Surcharge on income-tax in the case of companies will continue to be charged at the rate of 5 per cent. of such income-tax. Companies will, however, have the option of making a deposit with the Industrial Development Bank of India (under a scheme to be notified by the Central Government) in lieu of payment of the entire amount of such surcharge.

Clause 3 seeks to amend section 2 of the Income-tax Act relating to definitions.

This amendment seeks to insert a new sub-clause in clause (18) of that section to provide that a company which carries on, as its principal business, the business of acceptance of deposits from its members and which is declared by the Central Government under section 620A of the Companies Act, to be a *Nidhi* or a Mutual Benefit Society shall be a company in which the public are substantially interested.

It will take effect from 1st April, 1984 retrospectively and will accordingly, apply in relation to the assessment year 1984-85 and subsequent years.

Clause 4 seeks to amend section 10 of the Income-tax Act relating to incomes which do not form part of total income.

Under the existing provisions of clause (10B), the maximum amount of retrenchment compensation exempt is the sum calculated on the basis provided in clause (b) of section 25F of the Industrial Disputes Act, or Rs. 20,000, whichever is less. Sub-clause (a) seeks to provide, with effect from 1st April, 1986, that the maximum amount exempt under clause (10B) will be the sum calculated on the basis provided in clause (b) of section 25F of the Industrial Disputes Act, or Rs. 50,000, whichever is less. It is also proposed that the said limits shall not apply in cases of compensation paid under any scheme approved by the Central Government. This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Sub-clause (b) seeks to insert a new sub-clause in clause (15). The new sub-clause (iiia) seeks to secure that the interest payable to any bank incorporated in a country outside India and authorised to perform central banking functions in that country on any deposits made by it with any scheduled bank shall be exempt where such deposits have been made with the approval of the Reserve Bank of India.

Sub-clause (c) seeks to amend clause (26A) so as to extend the exemption from income-tax in the case of residents of the district of Ladakh for a further period of three years, that is, for the assessment years 1986-87 to 1988-89.

Clause 5 seeks to amend, with effect from 1st April, 1986, section 16 of the Income-tax Act relating to deductions from salaries.

This amendment seeks to secure that for the purposes of the proviso to clause (i), the use of any vehicle provided by the employer to an employee for journey by the employee from his residence to office or other place of work, or from office or such place to his residence shall not be regarded as use of such vehicle otherwise than wholly and exclusively in the performance of his duties.

It will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 6 seeks to amend, with effect from 1st April, 1986, section 17 of the Income-tax Act which defines the expressions "salary", "perquisite" and "profits in lieu of salary".

Under the existing provisions, the value of any benefit or amenity granted or provided free of cost or at concessional rate by an employer to an employee (not being a director of a company or a person who has a substantial interest in the company) is not regarded as a "perquisite" received by the employee unless the employee's income under the head "Salaries", exclusive of the value of all benefits or amenities not provided for by way of monetary payment, exceeds Rs. 18,000. Sub-clause (a) seeks to increase this limit from Rs. 18,000 to Rs. 24,000. The amendment also seeks to clarify that this limit shall apply in relation to the aggregate salary due to or received by an employee from one or more employers.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Sub-clause (b) seeks to omit sub-clause (vi) of clause (2) of section 17 which sought to include in the definition of the term "perquisite" the value of the benefit represented by interest-free loans or loans at concessional rate of interest by employers to their employees.

This amendment will take effect from 1st April, 1985, that is, from the date on which the said sub-clause was inserted by the Taxation Laws (Amendment) Act, 1984.

Clause 7 seeks to insert with effect from 1st April, 1986, a new section 37AB in the Income-tax Act relating to tea development account.

The new section provides for a deduction in the computation of the taxable profits in the case of an assessee, being a company, whose business consists exclusively or almost exclusively of growing and manufacturing tea in India.

Sub-section (1) of this section provides that where the assessee has deposited, during the previous year, any sum with the National Bank for Agriculture and Rural Development in a special account maintained by it with that Bank in accordance with the scheme approved in this behalf by the Tea Board, the assessee shall be entitled to a deduction of,—

(a) a sum equal to the amount so deposited; or

(b) a sum equal to twenty per cent. of its profits (as computed under the head "Profits and gains of business or profession" before making any deduction under the new section),

whichever is less.

Sub-section (2) provides that where the amount deposited by the assessee during the previous year exceeds the sum allowable as deduction under sub-section (1), the excess shall be treated as a deposit made by the assessee in the next following previous year.

Sub-section (3) provides that where the whole or any part of the amount of the deposit is utilised by the assessee for acquiring any building, machinery, plant or furniture, the actual cost of the asset for the purposes of the Income-tax Act shall be the actual cost as determined under section 43(i) of the Act and as reduced by the amount so utilised. Where the amount of such deposit is utilised for incurring any other expenditure for the purposes of the business, such expenditure shall be reduced by the amount so utilised and the resultant sum alone shall be taken into account for the purposes of the Income-tax Act.

Sub-section (4) provides that where the whole or any part of the amount released in the previous year by the National Bank for Agriculture and Rural Development is not utilised by the assessee within the previous year in accordance with the scheme approved by the Tea Board, such amount or part shall be deemed to be the assessee's profits and gains of business and accordingly charged to tax as the income of that previous year.

Sub-section (5) seeks to provide that the provisions of this section will apply in relation to the assessment year 1986-87 and the four assessment years next following that assessment year.

Clause 8 seeks to insert, with effect from 1st April, 1986, a new section 35AB in the Income-tax Act relating to expenditure on know-how.

The proposed section seeks to provide that any lump sum consideration paid by the assessee for acquiring any know-how for use for the purposes of his business will be allowed as deduction by spreading it equally over six years, namely, the year in which the lump sum consideration is paid and the five immediately succeeding years. Where the know-how is developed in laboratory, University or institution referred to in sub-section (2B) of section 32A, the consideration shall be spread

equally over three years. For the purposes of this section, "know-how" means any industrial information or technique likely to assist in the manufacture or processing of goods or in the working of a mine, oil well or other sources of mineral deposits (including the searching for, discovery or testing of deposits or the winning of access thereto).

The proposed section will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 9 seeks to amend with effect from 17th March, 1985, section 35CC of the Income-tax Act relating to rural development allowance.

This amendment seeks to discontinue the deduction allowed under the said section except in relation to programmes of rural development which have been approved before 17th day of March, 1985.

Clause 10 seeks to amend, with effect from 1st April, 1985, section 36 of the Income-tax Act relating to other deductions.

Item (i) of sub-clause (a) seeks to add a proviso to clause (vii) of sub-section (1). The new proviso seeks to provide that the deduction relating to a bad debt or part thereof in the case of a bank to which clause (viiia) applies shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account made under that clause.

Item (ii) of sub-clause (a) seeks to amend clause (viiia) of sub-section (1). The proposed amendment seeks to provide that in respect of any provision for bad and doubtful debts made by a scheduled bank [not being a bank approved by the Central Government for the purposes of clause (viiia) or a bank incorporated by or under the laws of a country outside India] or a non-scheduled bank, an amount not exceeding ten per cent. of the total income or an amount not exceeding two per cent. of the aggregate average advances made by rural branches of such bank computed in the prescribed manner, whichever is higher, shall be allowed as a deduction in computing taxable profits.

Item (iii) of sub-clause (a) seeks to amend clauses (viii) and (viiia) of sub-section (1). Under the existing provisions, the deduction under each of the said clauses is an amount not exceeding 40 per cent. of the total income as computed before making any deduction under Chapter VIA. The proposed amendment seeks to provide that such deduction shall be an amount not exceeding 40 per cent. of the total income as computed before making any deduction under the relevant clause and Chapter VIA.

Sub-clause (b) seeks to insert a new clause (v) in sub-section (2). The new clause (v) seeks to provide for a further condition for allowance of a bad debt, namely that where such debt or part relates to advances made by a bank to which clause (viiia) of sub-section (1) applies, the bank has debited the amount of such debt or part of debt in that previous year to the provision for bad and doubtful debts account made under that clause.

Clause 11 seeks to omit, with effect from 1st April, 1986, sub-sections (3A), (3B), (3C) and (3D) of section 37 of the Income-tax Act, relating to the disallowance, in the computation of taxable profits, of an amount equal to twenty per cent. of the aggregate expenditure incurred by a taxpayer on advertisement, publicity and sales promotion; running and maintenance of aircraft and motor-cars; and payments made to hotels. It also seeks to omit reference to section 80VV occurring in sub-section (1).

Sub-clause (a) seeks to secure that donations to the Prime Minister's National Relief Fund will be eligible for 100 per cent deduction.

Sub-clause (b) seeks to secure that like donations to other Funds of national importance, e.g., the Prime Minister's Drought Relief Fund, the National Children's Fund, etc., 50 per cent. of the donations to the Indira Gandhi Memorial Trust will be eligible for deduction under section 80G without any ceiling on the amount of donation qualifying for deduction.

While the amendment under sub-clause (a) will take effect from 1st day of April, 1986, the amendment under sub-clause (b) will take effect from 1st day of April 1985.

Clause 19 seeks to substitute, with effect from 1st April, 1986, section 80HHC by a new section.

Sub-section (1) of the new section seeks to provide that an assessee being an Indian company or a person (other than a company) who being resident in India exports out of India during the previous year any goods or merchandise to which this section applies, will be allowed deduction of an amount, not exceeding 50 per cent. of the profits derived by the assessee from the export of such goods or merchandise, provided that an amount equal to the amount of deduction so claimed is debited to the profit and loss account of the previous year in respect of which the deduction is allowed and credited to a reserve account to be utilised for the purposes of the business of the assessee.

Sub-section (2) seeks to provide that the new section applies to all goods or merchandise, other than mineral oil and minerals and ores, if the sale proceeds of such goods or merchandise exported out of India are receivable by the assessee in convertible foreign exchange.

Sub-section (3) seeks to provide that for the purposes of sub-section (1), profits derived from the export of goods or merchandise out of India shall be, in a case where the business carried on by the assessee consists exclusively of the export out of India of the goods or merchandise to which this section applies, the profits of the business as computed under the head "Profits and gains of business or profession"; and in a case where the business carried on by the assessee does not consist exclusively of the export out of India of the goods or merchandise to which this section applies, the amount which bears to the profits of the business (as computed under the head "Profits and gains of business or profession") the same proportion as the export turnover bears to the total turnover of the business carried on by the assessee.

It will apply in relation to the assessment year 1985-86 and subsequent years.

Clause 15 seeks to amend, with effect from 1st April, 1986, section 58 of the Income-tax Act relating to amounts not deductible.

The proposed amendment seeks to secure that any expenditure of the nature referred to in new sub-section (12) of section 40A shall not be allowed as a deduction.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 16 seeks to amend, with effect from 1st April, 1985, section 80CC of the Income-tax Act relating to deduction in respect of investment in certain new shares.

Sub-clause (a) seeks to modify one of the conditions laid down in the law for an issue of equity shares to be regarded as an "eligible issue of capital". The condition as amended provides that the issue should have been made by a public company formed and registered in India and it should have been wholly and exclusively for the purposes of carrying on the business of construction, manufacture or production of any article or thing (not being an article or thing specified in the Eleventh Schedule) or providing long-term finance for construction or purchase of houses in India for residential purposes.

Sub-clause (b) seeks to amend the proviso to clause (a) of sub-section (3) of the said section accordingly.

Clause 17 seeks to omit, with effect from 1st April, 1986, section 80F of the Income-tax Act relating to deduction in respect of expenses on education in certain cases.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 18 seeks to amend section 80G of the Income-tax Act relating to deduction in respect of donations to certain funds, charitable institutions etc.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 12 seeks to amend section 40A of the Income-tax Act relating to expenses or payments not deductible in certain circumstances.

The amendments in sub-clause (a) are consequential to the amendment of sub-clause (vi) of clause (2) of section 17 of the Income-tax Act by sub-clause (b) of clause 6 of the Bill.

Sub-clause (b) seeks to discontinue, with effect from 1st April, 1986, the provision relating to the disallowance, in the computation of the taxable profits, of an amount equal to 15 per cent. of the interest paid by non-banking non-financial companies on deposits received by them from the public.

Sub-clause (c) seeks to insert, with effect from 1st April, 1986, a new sub-section (12) in section 40A to secure that any expenditure incurred by the assessee by way of fees or other remuneration paid to any person (other than an employee of the assessee) for services in

connection with any proceeding under the said Act before any income-tax authority or Settlement Commission or the competent authority or the Appellate Tribunal or any court or for services in connection with any other proceeding before any court relating to tax, penalty, interest or any other matter under the said Act shall not be allowed as a deduction.

Clause 13 seeks to amend section 44AB of the Income-tax Act relating to audit of accounts of certain persons carrying on business or profession.

This amendment seeks to secure that, in cases where the accounts of an assessee are required to be audited by or under any other law, it will suffice if the assessee gets his accounts audited under such other law, even though the person auditing the accounts under that law may not be an "accountant" as defined in sub-section (2) of section 288.

The amendment will take effect from 1st April, 1985, that is, from the date the provision was directed to be inserted by the Finance Act, 1984.

Clause 14 seeks to amend, with effect from 1st April, 1985, section 54 of the Income-tax Act relating to profit on sale of property used for residence.

This amendment is consequential to the amendment of section 53 by the Taxation Laws (Amendment) Act, 1984.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 20 seeks to amend section 80I of the Income-tax Act relating to deduction in respect of profits and gains from industrial undertakings after a certain date, etc.

The amendment in sub-clause (a) seeks to provide that the deduction under section 80I will be available to industrial undertakings which begin to manufacture articles or things or to operate cold storage plant or plants at any time within the period of nine years next following 31st March, 1981. Under the existing provisions, the deduction is available in the case of industrial undertakings which commence production at any time within the period of four years next following 31st March, 1981.

The amendment in sub-clause (b) seeks to provide that the deduction under section 80I will be available to any ship which is brought into use any time within the period of nine years next following 1st April, 1981. Under the existing provisions, the deduction is available in the case of a ship which is brought into use any time within the period of four years next following 1st April, 1981.

The amendment in sub-clause (c) seeks to provide that the deduction under section 80I will be available to any hotel which starts functioning after 31st March, 1981 but before 1st April, 1990. Under the existing provisions, the deduction is available to any hotel which starts functioning after 31st March, 1981 but before 1st April, 1985.

Clause 21 seeks to omit, with effect from 1st April, 1986, section 80JJ of the Income-tax Act relating to deduction in respect of profits and gains

from business of live-stock breeding or poultry or dairy farming. The deduction will not, therefore, be available for the assessment year 1986-87 and subsequent years.

Clause 22 seeks to omit, with effect from 1st April, 1986, section 80N of the Income-tax Act relating to deduction in respect of dividends received from certain foreign companies.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 23 seeks to amend section 80QQA of the Income-tax Act relating to deduction in respect of professional income of authors of text books in Indian languages.

This amendment seeks to secure that the deduction under section 80QQA is available in relation to the assessment year 1980-81 or to any one of the nine succeeding assessment years. Under the existing provisions, the deduction is available in relation to the assessment year 1980-81 or to any one of the four succeeding years only.

Clause 24 seeks to omit, with effect from 1st April, 1986, section 80V of the Income-tax Act relating to deduction of interest on moneys borrowed to pay taxes.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 25 seeks to omit, with effect from 1st April, 1986, section 80VV of the Income-tax Act relating to deduction in respect of expenses incurred in connection with certain proceedings under the Act.

This amendment seeks to discontinue the deduction allowed under the said section.

It will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 26 seeks to amend, with effect from 1st April, 1986, section 115 of the Income-tax Act relating to tax on capital gains in the case of companies.

The proposed amendment seeks to provide that long-term capital gains relating to buildings or lands or any rights therein will be chargeable to tax at the uniform rate of 50 per cent. in the case of all companies. Hitherto, in the case of widely-held domestic companies having taxable income (other than long-term capital gains) not exceeding Rs. 1 lakh, such capital gains were chargeable to tax at the rate of 40 per cent. only.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 27 seeks to amend, with effect from 1st April, 1986, section 115E of the Income-tax Act relating to tax on investment, income and long-term capital gains.

The proposed amendment is consequential to the discontinuance of the levy of surcharge on income-tax for purposes of the Union under

Sub-Paragraph I of Paragraph A of Part III of the First Schedule to the Bill.

Clause 28 seeks to amend section 136 of the Income-tax Act relating to proceedings before income-tax authorities to be judicial proceedings.

This amendment seeks to secure retrospectively that an income-tax authority shall be deemed to be a Civil Court for the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973 from the date of its commencement, that is, 1st April, 1974.

Clause 29 seeks to amend section 139 of the Income-tax Act relating to return of income.

Sub-clause (a) seeks to provide, with effect from 1st April, 1986, that a person whose income chargeable under the head "Salaries" (exclusive of the value of all benefits or amenities not provided for by way of monetary payment) does not exceed Rs. 24,000 (as against Rs. 18,000 at present) will not be required to furnish a voluntary return of income, if the other existing conditions contained in section 139(1A) of the Act are fulfilled.

Sub-clause (b) seeks to provide, with effect from 1st April, 1985, in clause (e) of the *Explanation* to sub-section (9) that where the cost accounts of an assessee have been audited under section 233B of the Companies Act, 1956, the return shall be accompanied by the report under that section.

Clause 30 seeks to substitute section 167A of the Income-tax Act relating to charge of tax where shares of members are unknown.

Under the existing provisions, where the individual shares of the members of an association of persons in any part of the income of such association are indeterminate or unknown, the income-tax payable is only the aggregate of the amount of income-tax on such part of the total income at the maximum marginal rate and the amount of income-tax which would have been chargeable if the remaining part of the total income were its total income. The proposed amendment seeks to secure that, where the individual shares of the members of an association of persons in the whole or any part of the income of such association are indeterminate or unknown, income-tax will be charged on the total income of the association at the maximum marginal rate.

This amendment will apply in relation to the assessment year 1985-86 and subsequent years.

Clause 31 seeks to insert, with effect from 1st April, 1986, a new section 180A in the Income-tax Act relating to consideration for know-how.

The new section provides that where the time taken by an individual (who is resident in India) for developing any know-how is more than twelve months, he may elect that the gross amount of any lump sum consideration received or receivable by him during the previous year for allowing use of such know-how shall be charged to tax by spreading such amount equally over three years, namely, the year in which such amount was received or receivable and the two immediately preceding

years. Where such individual so elects, the amount shall, notwithstanding anything contained in any other provision of the Income-tax Act, be charged to tax accordingly. If the assessment for the two preceding years has been made by the time such individual so elects, the assessment for those years shall be rectified under section 154 of the Income-tax Act and, for this purpose, the period of four years specified in sub-section (7) of section 154 shall be reckoned from the end of the financial year in which the assessment relating to the previous year in which the lump sum consideration was received or receivable by such individual is made. For the purposes of this section, the expression "know-how" has the meaning assigned to it in new section 35AB, proposed to be inserted in the Income-tax Act by clause 8 of the Bill.

The new section will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 32 seeks to amend section 208 of the Income-tax Act relating to condition of liability to pay advance tax. The proposed amendment seeks to raise the threshold for the payment of advance tax from Rs. 15,000 to Rs. 18,000.

This amendment will take effect from the date on which the Finance Bill receives the assent of the President and will accordingly apply in relation to payment of advance tax during the financial year 1985-86 and subsequent years.

Clause 33 seeks to amend sub-section (2A) of section 245D of the Income-tax relating to procedure on receipt of an application under section 245C.

This amendment seeks to clarify that the assessee shall pay the additional amount of income-tax payable on the income disclosed in the application to the Settlement Commission, only if the Settlement Commission passes an order under sub-section (1) allowing the application to be proceeded with.

It will take effect retrospectively from 1st October, 1984, that is, from the date the said sub-section was inserted by the Taxation Laws (Amendment) Act, 1984.

Clause 34 seeks to omit *Explanation 2* below sub-section (1) of section 273A of the Income-tax Act relating to power to reduce or waive penalty, etc., in certain cases.

Under the said *Explanation 2*, where any books of account, other documents, money, bullion, jewellery or other valuable article or thing belonging to a person are seized under section 132 and within 15 days of such seizure, the person makes a full and true disclosure of his income to the Commissioner, such person is, for the purposes of clause (b) of the said sub-section, deemed to have made, prior to the detection by the Income-tax Officer of the concealment of particulars of income or of the inaccuracy of particulars furnished in respect of such income, voluntarily and in good faith, a disclosure of such particulars.

This amendment will take effect from the date on which the Finance Bill receives the assent of the President.

Clause 35 seeks to amend section 278A of the Income-tax Act relating to punishment for second and subsequent offences.

This amendment seeks to provide that if any person convicted of an offence under section 276DD is again convicted of an offence under that section, he shall be punishable for the second and every subsequent offence with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine.

This amendment will take effect from the date on which the Finance Bill receives the assent of the President.

Clause 36 seeks to make certain amendments of a consequential nature in different provisions of the Income-tax Act.

Clause 37 seeks to amend section 5 of the Wealth-tax Act relating to exemptions in respect of certain assets.

Sub-clause (a) seeks to secure that the exemption under section 5(1) (i) of the Wealth-tax Act in respect of any property held under trust or other legal obligation for any public purpose of a charitable or religious nature in India shall not apply in respect of any such property which forms part of a business. The existing exemption will, however, continue in cases where the property forms part of a business carried on by a trust wholly for public religious purposes and the business consists of printing and publication of books or publication of books or the business is of a kind notified by the Central Government in this behalf in the Official Gazette or the business is carried on by an institution wholly for charitable purposes and the work in connection with the business is mainly carried on by the beneficiaries of the institution. In either case, the exemption will be available only if separate books of account are maintained in respect of such business.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Under the existing provisions, the value of one house belonging to the taxpayer up to Rs. 2 lakhs, the value of specified assets held by the taxpayer up to Rs. 2,65,000 and the value of units of the Unit Trust of India or deposits under any notified National Deposit Scheme or both up to an aggregate amount of Rs. 35,000 are exempt from wealth-tax. Sub-clause (b) seeks to secure that the aggregate value of all the aforesaid assets shall be exempt from wealth-tax up to Rs. 5 lakhs.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Under the existing provisions, as directed to be amended by the Finance Act, 1984, deposits under the National Deposit Scheme shall qualify for exemption under section 5 only if the deposits have been held by the assessee for a period of at least six months ending with the relevant valuation date. Sub-clause (c) seeks to omit the said restriction as to the period of holding in case of deposits under the National Deposit Scheme.

This amendment will take effect from 1st April, 1985.

Clause 38 seeks to omit *Explanation 2* below sub-section (1) of section 18B of the Wealth-tax Act relating to power to reduce or waive penalty in certain cases.

Under the said *Explanation 2*, where any books of account or other documents belonging to a person are seized under section 37A and within fifteen days of such seizure, the person makes a full and true disclosure of his net wealth to the Commissioner, such person is, for the purposes of clause (b) of the said sub-section, deemed to have made, prior to the detection by the Wealth-tax Officer of the concealment of particulars of assets or of the inaccuracy of the particulars furnished, voluntarily and in good faith, a disclosure of such particulars.

The proposed amendment will take effect from the date on which the Finance Bill receives the assent of the President.

Clause 39 seeks to amend sub-section (2A) of section 22D of the Wealth-tax Act relating to procedure on receipt of an application under section 22C.

This amendment seeks to clarify that the assessee shall pay the additional amount of wealth-tax payable on the net wealth disclosed in the application to the Settlement Commission, only if the Settlement Commission passes an order under sub-section (1) allowing the application to be proceeded with.

It will take effect retrospectively from 1st October, 1984.

Clause 40 seeks to substitute, with effect from 1st April, 1986, Part I of Schedule I to the Wealth-tax Act.

Under the proposed amendment, the following rates of wealth-tax have been specified in the case of individuals and Hindu undivided families other than those having one or more members with independent net wealth exceeding Rs. 2,50,000:—

<i>Slab of net wealth</i>	<i>Rate of tax</i>
Up to Rs. 2,50,000	Nil;
Rs. 2,50,001 to Rs. 10,00,000	$\frac{1}{2}$ per cent.;
Rs. 10,00,001 to Rs. 20,00,000	1 per cent.;
Over Rs. 20,00,000	2 per cent.

In the case of Hindu undivided families having one or more members with independent net wealth exceeding Rs. 2,50,000, the following rates of wealth-tax have been specified:—

<i>Slab of net wealth</i>	<i>Rate of tax</i>
Up to Rs. 1,50,000	Nil;
Rs. 1,50,001 to Rs. 5,00,000	1 per cent.;
Rs. 5,00,001 to Rs. 10,00,000	2 per cent.;
Over Rs. 10,00,000	3 per cent.

This amendment will apply in relation to the assessment year 1986-87 and subsequent years.

Clause 41 seeks to amend section 6 of the Interest-tax Act, 1974, relating to computation of chargeable interest.

This amendment seeks to provide that the amount of interest which accrues or arises to a scheduled bank after 31st March, 1985, will not be taken into account for computing the chargeable interest for the purpose of the Interest-tax Act, 1974.

Clause 42 read with the Second Schedule seeks to amend the Customs Tariff Act, 1975, to—

- (i) raise the rate of basic customs duty (standard) on petroleum oils and oils obtained from bituminous minerals, crude;
- (ii) raise the rate of basic customs duty (standard) on automatic data processing machines, magnetic and optical readers, machines for transcribing data onto data media in coded form and machines for processing such data and certain parts and accessories;
- (iii) raise the rate of basic customs duty (standard) on ball, roller or needle roller bearings.

Clause 43 seeks to levy up to the 31st March, 1986, auxiliary duties of customs on all imported goods at the rate of 50 per cent of the value.

Clause 44 read with the Fifth Schedule seeks to levy an additional duty of customs on imported television sets, all sorts.

Clause 45 seeks to amend clause (f) of section 2 of the Central Excises Act to specifically include the labelling or re-labelling or repacking from bulk packs to retail packs or the adoption of any other treatment to Pan Masala in the definition of manufacture under the said Act.

Clause 46 read with the Third Schedule seeks to amend the First Schedule to the Central Excises Act to—

- (a) rise the basic excise duty on—
 - (1) patent or proprietary medicines;
 - (2) mad-made filament yarns and cellulosic spun yarn and non-cellulosic wastes;
 - (3) cotton yarn;
 - (4) woollen yarn and acrylic spun yarn containing more than 1/6th by weight of non-cellulosic fibre;
 - (5) silk yarn containing more than 1/6th by weight of non-cellulosic fibre;
 - (6) jute yarn, all sorts;
 - (7) non-cellulosic spun yarn;
 - (8) cotton fabrics in the form of emproidery in the piece, in strips or in motifs;
 - (9) silk fabrics in the form of embroidery in the piece, in strips or in motifs;

- (10) woollen fabrics in the form of embroidery in the piece, in strips or in motifs;
 - (11) man-made fabrics in the form of embroidery in the piece, in strips or in motifs;
 - (12) jute manufactures, all sorts;
 - (13) iron and steel and products thereof;
 - (14) crown corks;
 - (15) all other goods, not elsewhere specified;
- (b) to change the tariff description and to restructure the duty rates in respect of—
- (1) cosmetics and toilet preparations;
 - (2) gases;
 - (3) tyres;
- (c) to change the tariff description of—
- (1) Item No. 14AA relating to chemicals to delete caprolactam and dimethyl terephthalate from its scope and to redesignate the item as inorganic chemicals;
 - (2) Item No. 16B relating to wood and articles of wood to cover particle boards, whether or not face covered with textile fabrics, artificial plastic materials etc., within its scope;
 - (3) Item No. 19 relating to cotton fabrics so as to include only those fabrics in which cotton predominates in weight;
 - (4) Item No. 21 relating to woollen fabrics so as to include only those woollen fabrics in which wool predominates in weight;
 - (5) Item No. 22 relating to man-made fabrics so as to exclude glass fabrics from its scope;
 - (6) Item No. 23A relating to glass and glassware so as to include within its scope laminated glass and toughened glass;
 - (7) Item No. 25 relating to iron and steel and products thereof so as to include corrugated sheets in the category of sheets;
 - (8) Item No. 26A relating to copper and products thereof so as to include corrugated or troughed sheets within the scope of sheets; and pipes and tubes obtained by welding or brazing process within the scope of pipes and tubes;
 - (9) Item No. 26B relating to zinc and products thereof so as to include corrugated or troughed sheets within the scope of sheets;
 - (10) Item No. 27 relating to aluminium and products thereof to levy duty on semi-hollow sections of aluminium as well as to include corrugated or troughed sheets within the scope of sheets;
 - (11) Item No. 29A relating to refrigerating and air conditioning appliances and machinery for including split unit air conditioners, the cooling or room unit and condensing unit therefor, within the scope of air conditioners;

(d) to include new Items in the Central Excise Tariff for—

- (1) Pan Masala;
- (2) Organic Chemicals;
- (3) Marble blocks, slabs and tiles;
- (4) Travel goods, namely, suit cases, brief cases, vanity bags and vanity cases, all sorts.

Clause 47 seeks to levy up to the 31st day of March, 1986, special duties of excise on all excisable goods at the rate of 10 per cent of the duty leviable under the Central Excises Act.

Clause 48 read with the Fourth Schedule seeks to amend the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957, to amend—

- (1) Item No. 1 relating to sugar to raise the rate of duty;
- (2) sub-Item No. II (3) of Item No. 4 relating to biris to raise the rate of duty.

Clause 49 read with the Fifth Schedule seeks to levy an additional duty of excise on television sets, all sorts.

Clause 50 seeks to increase the rates of stamp duty on bills of lading and letter of credit with effect from 1st July, 1985.

BILL No. 56 OF 1985

A Bill further to amend the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974.

BE it enacted by Parliament in the Thirty-sixth Year of the Republic of India as follows:—

Short
title.

1. This Act may be called the Compulsory Deposit Scheme (Income-tax Payers) Amendment Act, 1985.

Amend-
ment of
section 8.

2. In section 8 of the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974, in sub-section (1),— 38 of 1947.

(a) in the proviso, for the words “Provided that”, the words “Provided further that” shall be substituted;

(b) before the proviso as so amended, the following proviso shall be inserted, namely:—

“Provided that no depositor shall be entitled to withdraw before the expiry of the financial year 1985-86 any amount which, in accordance with the foregoing provisions of this sub-section, is repayable or payable during that financial year and the provisions of sub-section (2) shall be apply in relation to such amount as they apply in relation to any amount referred to in that sub-section.”.

STATEMENT OF OBJECTS AND REASONS

The Compulsory Deposit Scheme (Income-tax Payers) Act, 1974 was enacted to provide, in the interest of national economic development, for compulsory deposit by certain classes of income-tax payers. The Act, as originally enacted, provided for the making of compulsory deposits in two financial years namely, 1974-75 and 1975-76. The Act has been amended from time to time to provide for liability for making compulsory deposits in subsequent years, up to and including the financial year 1984-85. Under the Act, the compulsory deposit made or recovered in a financial year is repayable in five equal annual instalments commencing from the expiry of two years from the end of that financial year together with interest.

2. Government has decided to abolish the scheme of making compulsory deposits under the Act with effect from the 1st April, 1985. There would, therefore, be no liability to make compulsory deposits in the financial year 1985-86 and subsequent years. At the same time, in view of the overall ways and means position, it is proposed to postpone, by one year only, the amounts repayable or payable by way of instalments of compulsory deposit and interest during the financial year 1985-86 and for this purpose the Bill seeks to make a suitable amendment to section 8 of the Act. The amendment also provides for payment of interest on such amounts.

3. The Bill seeks to achieve the above objective.

NEW DELHI;
The 16th March, 1985.

VISHWANATH PRATAP SINGH.

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117
OF THE CONSTITUTION OF INDIA

[Copy of letter No. F. 19/FB/85-TPL, dated the 16th March, 1985 from Shri Vishwanath Pratap Singh, Minister of Finance, to the Secretary-General, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Bill, recommends under clauses (1) and (3) of article 117 of the Constitution of India, the introduction of the Compulsory Deposit Scheme (Income-tax Payers) Amendment Bill, 1985 to the Lok Sabha and also recommends to the Lok Sabha the consideration of the Bill.

2. The Bill will be introduced in the Lok Sabha immediately after the introduction of the Finance Bill, 1985.

FINANCIAL MEMORANDUM

Clause 2 of the Bill seeks to insert a new proviso to sub-section (1) of section 8 of the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974, to the effect that no depositor will be entitled to withdraw, during the financial year 1985-86, any amount otherwise due for repayment or payment during that financial year. It is also being provided that the provisions of sub-section (2) of the said section relating to payment of interest shall apply in relation to such amount in the same manner as they apply in relation to the amount referred to in that sub-section. The provisions of the clause thus involve additional expenditure by way of payment of such interest. The additional expenditure (which will be of a non-recurring nature as the payment or repayment of the amount is being postponed only by one year) is expected to be of the order of Rs. 26 crores.

2. The provisions of the Bill do not involve any other expenditure of a recurring or non-recurring nature.

SUBHASH C. KASHYAP,
Secretary-General.